



# **Judicial Council of California**

## **Administrative Office of the Courts**

Trial Court Financial Policies and Procedures

Policy No.  
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# **BUDGET MONITORING AND REPORTING**

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# Budget Monitoring and Reporting

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(Original 8/01)

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## **2.0 Purpose**

(Original 8/01)

The purpose of this policy is to establish uniform guidelines for the trial court to monitor and control its annual budget and help ensure responsible management of available resources.

## **3.0 Policy Statement**

(Revised 9/10)

1. The trial court will manage its operations in a fiscally prudent manner. Expenditures may not exceed the amounts established in the court's approved budget. Budgetary control measures are required to assure that expenditures do not exceed allocations for specific funds, programs, elements, components, tasks, or objects of expenditure.

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2. The trial court shall monitor actual expenditures against its annual budget. Cash flow also will be monitored to assure that the trial court has sufficient moneys to meet its obligations. On a quarterly basis, the trial court shall submit a report of revenues and expenditures to the AOC. The Quarterly Financial Statement (QFS) and the supplementary Report of Revenues (ROR) will be in the form and according to the schedule approved by the Judicial Council. Annually, the trial court shall submit financial information to the AOC for consolidation and submittal to the state for inclusion in the State's Comprehensive Annual Financial Report (CAFR).

#### **4.0 Application** (Original 8/01)

This policy applies to all trial court officials and employees.

#### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Approved Budget**  
**Budgetary Control**  
**Budget Revision**  
**Budget Transfer**  
**Cash Flow**  
**PECT**  
**Quarterly Financial Statement (QFS)**  
**Report of Revenues (ROR)**  
**State Appropriations Limit (SAL) Funding Adjustment**  
**State Comprehensive Annual Financial Report (CAFR)**

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## **6.0 Text**

### **6.1 Background**

(Revised 7/06)

1. After the trial court's annual budget has been approved and funds appropriated in the State Budget Act, the court must operate within the limitations of the available funding under the budget (GC 77206.1). The court must establish budgetary control procedures to monitor its budget on an ongoing basis throughout the year to assure that actual expenditures do not exceed budgeted amounts.
2. Regular budget monitoring allows the court to: 1) assure that funds are available for court operations, and 2) reallocate limited resources in the event of budget shortfalls or surpluses. Monitoring both expenditure and cash flow allows the court to exercise an appropriate level of control over available funds and to take corrective action as necessary.
3. Quarterly budget reporting to the AOC is done in the PECT format at the object of expenditure level. The trial court submits the QFS, which is a budgetary control document and financial report that provides the AOC and other external reviewers with the assurance that the court's operations are within appropriate limits. The QFS is also the means by which the court reports budget revisions and transfers.

### **6.2 Budget Monitoring Requirements**

(Revised 9/10)

1. It is the court's responsibility to monitor its budget on a regular basis. To facilitate management control of financial operations, the court must prepare and review a comparison of actual expenditures with

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the approved budget that provides the following information for each program element and budget line item of expenditure:

- a. Actual expenditures incurred for the previous month.
  - b. Expenditures incurred for the fiscal year-to-date.
  - c. The variance between actual and budgeted expenditures.
  - d. The remaining balance for each program element and object.
2. In addition, the court should analyze its cash flow needs for the current month and project its cash flow for the remainder of the fiscal year.
  3. The court should not limit its budget analysis to a "bottom line" review of the court's fund balance. Individual budget line item review is required to provide a greater degree of budgetary control.

### **6.3 Budget Reporting** (Revised 9/10)

1. The Judicial Council is responsible for collecting information and reporting on the financial status of the trial courts. GC 77206 (d)(e) and (f) establish that the Judicial Council shall:
  - a. Provide the State Controller with summary information regarding court revenues and expenditures (via the CAFR).
  - b. Adopt rules to provide for reasonable public access to budget allocation and expenditure information at the state and local levels.
  - c. Adopt rules ensuring that the trial court provides information relating to court administration including financial information in a timely manner upon written request.
2. Specific requirements for trial court financial reporting are discussed below.

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### **6.3.1 Civil Filing and Miscellaneous Collections**

The trial court will report and remit civil filing fees and miscellaneous collections, including civil assessments collected pursuant to Penal Code section 1214.1, to the AOC as specified in the most current AOC instructions, which can be found at the following link:

[http://serranus.courtinfo.ca.gov/programs/finance/fees\\_tools.htm](http://serranus.courtinfo.ca.gov/programs/finance/fees_tools.htm)

### **6.3.2 Quarterly Financial Statements (QFS)**

(Revised 8/02)

1. The trial court shall submit a QFS that provides the following PECT information at the object of expenditure level:
  - a. Actual expenditures incurred during the previous fiscal quarter.
  - b. Cumulative expenditures for the fiscal year-to-date.
  - c. The variance between actual and budgeted expenditures.
  - d. The remaining budgeted-balance for each object of expenditure.

(Revised 9/10)

- e. Budget transfers among PECT areas and between expenditure objects, as necessary to support operations. These adjustments are required to net to zero.
  - f. Budget revisions reflecting changes to the court's available budget, such as additional Judicial Council allocations or receipt of new grants.
2. The trial court will designate the fund balance in the QFS at the end of the fourth quarter into the following categories:
  - a. Restricted Fund Balance
    - i. Statutory – A restricted fund balance that is unspent, receipted revenues that have a statutory restriction on their use.

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- ii. Contractual – A restricted fund balance set aside for executed contractual commitments beyond the current year (e.g., multi-year contracts).
- b. Unrestricted Fund Balance
  - i. Designated – The portion of unrestricted fund balance that is subject to tentative management plans beyond the current fiscal year. Funds in this category are specifically designated consistent with Judicial Council approved categories.
  - ii. Undesignated – The portion of fund balance that is neither restricted nor designated.

### **6.3.3 Report of Revenues (ROR)** (Revised 9/10)

1. The ROR is used to verify and estimate revenues for various statutory and programmatic areas and to respond to requests for information from the Legislature, Department of Finance and other requestors. The trial court shall submit a quarterly ROR as specified in the instructions that are issued annually by the AOC's Office of Budget Management. In the ROR, the trial court is required to report:
  - a. Net civil assessment revenue;
  - b. Cost of collections related to civil assessment revenue;
  - c. Security fee for criminal offenses;
  - d. 2% automation fund;
  - e. Fees and fines related to realignment revenue;
  - f. Specified court-related county fines and forfeitures;
  - g. Specified penalties remitted to the State Penalty Fund;
  - h. 20% state surcharge;
  - i. Court construction penalty assessments; and
  - j. Surcharges on parking offenses.

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#### **6.3.4 Certification and Documentation**

1. Both the QFS and ROR are to be reviewed by the Presiding Judge or delegated to the Court Executive Officer for review prior to submission to the AOC. The reports and signed QFS certification pages must be sent to the AOC by the dates established by the AOC's Office of Budget Management.
2. The QFS is to be certified by the Presiding Judge, or the Presiding Judge may delegate the certification to the Court Executive Officer. The QFS, including the signed certification page, will be sent to the AOC by the dates established by the AOC's Office of Budget Management.
3. The trial court should retain a copy of both the paper and electronic version of its QFS and ROR for its records and for use in preparing future reports.

#### **6.4 Budget Revisions**

(Revised 9/10)

1. During the course of the fiscal year, the trial court may receive additional or amended allocations from the Judicial Council, local revenues above those originally budgeted or new grants from other governments or private sources.
2. The trial court will revise the budget and report the budget revisions to the AOC in the QFS for the quarter in which budget revision is made. The Fiscal Officer will also prepare amended reports for management and the Presiding Judge, reflecting these revisions.
3. Budget revisions are reported in the PECT area and at the object of expenditure level, and reflect an overall increase or decrease to the trial court's approved budget.



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4. The court must document all budget revisions to account for variances in projected versus actual expenditures.

## **6.5 Budget Transfers**

(Revised 8/02)

1. GC 77001 (c)(1) establishes the authority of the Judicial Council to adopt rules that ensure the trial court's management of the movement of funds between functions, line items, or programs on a basis that is consistent with statute, rules of court, and standards of judicial administration.

(Revised 9/10)

2. It is the intent of this manual to provide trial courts the flexibility in transferring funds between individual programs areas and objects of expenditure where; the transfers are necessary for the efficient and cost-effective operation of the courts, or to make technical corrections. Within this framework, the following provisions govern budget transfers.

### **6.5.1 Transfers Between Programs**

1. Trial courts prepare their baseline budgets on Schedule 1 according to the PECT structure. The budgeted amounts in Schedule 1 represent the court's planned operations by program for the fiscal year.
2. The budget transfer process allows courts to transfer unrestricted funds between or among the budgeted programs to reflect changes in the court's planned operations or to correct technical errors. However, budget transfers are subject to the following limitations:
  - a. For any fiscal year, a cumulative amount not to exceed \$400,000 or ten percent of the total trial court budget,

whichever is greater, may be transferred between or among other program areas. The trial court has the authority to transfer unrestricted funds up to this limitation and must record this information on the appropriate QFS.

- b. Any request(s) exceeding the \$400,000 or ten percent of the trial court budget, whichever is greater, threshold requires written notification to the AOC Finance Director and must include a complete explanation for the necessity of the transfer. The AOC will review the request and respond (approve/deny) within 30 days of receipt.
3. Transfers are also subject to public notification under California Rule of Court 10.620(d)(1).
4. Grant funds received by the court for specific uses, applications, or purposes shall not be transferred to other court programs if doing so would violate any term or conditions of the grant.
5. The court's Presiding Judge or written designee shall establish internal review and approval procedures regarding the transfer of funds between programs.

### **6.5.2 Transfers Between Objects of Expenditure**

All transfers between objects of expenditure must be reported in the QFS.

## **6.6 Budget Change Proposals**

(Revised 9/10)

1. The Judicial Council submits Budget Change Proposals (BCP(s)) on behalf of the courts to request additional funding through the annual State budget process to address costs. Funds provided to the trial

courts through the BCP process must be used for the purpose requested.

2. Augmented funding may be received from the Judicial Council based upon approved BCPs funded in the Budget Act. Following enactment of the state budget, the court will reflect changes in funding in its subsequent QFS.
3. Funds received pursuant to the BCP process should not be transferred between program areas and are not to be included when calculating the amount available for transfer to another program area, as set forth in Section 6.5, Budget Transfers.

## **6.7 Emergency Budget Procedures**

(Revised 9/10)

1. The Judicial Council budget allocation to the trial court is intended to adequately fund court operations and staffing, allowing the court to carry out its functions and guarantee citizens' access to justice. In the unlikely event that the trial court projects that its funds will be exhausted before the end of the fiscal year, preventing the court from meeting its financial obligations or continuing normal operations, the court must advise the AOC Finance Director in writing as soon as practicable.
2. The AOC will work with the court to help it manage the funding shortfall. Under the most extreme circumstances, if trial court expenditures exceed the budget authorized by the Judicial Council, the AOC may appoint another party to manage the fiscal operations of the trial court (GC 77206.1).
3. A loan of trial court funds to any entity, including the county, is not permissible under any circumstance.

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## 7.0 Associated Documents

(Original 8/01)

**None**